



Amy G. Rabinowitz
Counsel

January 20, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-88E

Dear Secretary Cottrell:

In response to the Department's November 17, 2003 order in D.T.E. 03-88, Massachusetts Electric Company and Nantucket Electric Company (collectively "Company"), submit the enclosed filing regarding costs to be included in default service rates. This filing consists of the pre-filed testimony, with full supporting documentation, of Theresa M Burns and Michael J. Hager. It identifies wholesale-related and direct retail-related costs, and proposes cost allocation and base rate adjustments.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Joseph Rogers, Office of the Attorney General

Massachusetts Electric Company
and
Nantucket Electric Company

Default Service Cost Recovery Filing

Testimony and Exhibits of:

Theresa M. Burns
and
Michael J. Hager

January 20, 2004

Submitted to:
Department of Telecommunications and Energy
Docket No. DTE 03-88E

Submitted by:

Massachusetts Electric

A **National Grid** Company



Nantucket Electric

A **National Grid** Company



MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. No. 03-88E
Witness: Burns

DIRECT TESTIMONY
OF
THERESA M. BURNS

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I. Introduction and Qualifications

Q. Please state your full name and business address.

A. My name is Theresa M. Burns, and my principal place of business is 55 Bearfoot Road,
Northborough, Massachusetts 01532.

Q. Please state your position.

A. I am Manager of Distribution Rates-New England for National Grid USA Service Company,
Inc., performing rate related services for companies of National Grid USA, including
Massachusetts Electric Company ("Mass. Electric") and Nantucket Electric Company
("Nantucket") (together "the Company").

Q. Please describe your educational background and training.

A. I graduated from Babson College in Wellesley, Massachusetts with a Bachelor of Science
degree in Accounting in 1986. In 1994, I received a Masters in Business Administration
from Babson College. I am a certified public accountant and a member of the
Massachusetts Society of Certified Public Accountants.

Q. Please describe your professional experience.

A. From 1986 to 1990, I was an auditor for Ernst & Young in Boston, Massachusetts. In June
1990, I joined New England Power Service Company ("NEPSCO") as an Accounting
Analyst in the Financial Analysis Group of the General Accounting Department. In June

1 1991, I was given responsibility over general ledger accounting for NEPSCO's three retail
2 affiliates. In July 1993, I joined the Internal Audit Department and was responsible for
3 performing both financial and operational audits. In June 1994, I was promoted to Senior
4 Internal Auditor. In July 1995, I transferred to the Rate Department as a Senior Rate
5 Analyst. In this position, I have been responsible for the design and implementation of retail
6 access rates. In April 1999, I was promoted to Principal Rate Analyst. Upon the merger of
7 Eastern Utilities Associates with National Grid USA, I was renamed Principal Financial
8 Analyst. In October 2000, I was promoted to Manager of Distribution Rates.

9
10 Q. Have you previously testified before the Department of Telecommunications and Energy
11 ("the Department")?

12 A. Yes I have.
13

14 **II. Purpose of Testimony**

15 Q. What is the purpose of your testimony?

16 A. My testimony summarizes the Company's filing, which it is making in compliance with the
17 Department's order in Docket D.T.E. 03-88 dated November 17, 2003 ("03-88 Order"). In
18 that order, the Department opened its investigation regarding certain costs that should be
19 recovered through and thereby included in the rates for Default Service. The Department
20 indicated it was going to open this investigation in its April 24, 2003 order in Docket D.T.E.
21 02-40B (Provision of Default Service) ("02-40B Order").

1 As part of its filing, the Company is presenting testimony and exhibits of two witnesses.
2 Michael J. Hager, Vice President of Energy Supply-New England, will provide the support
3 for certain wholesale-related and direct retail-related Default Service costs that the
4 Department may consider for recovery through and inclusion in Default Service rates. The
5 wholesale-related cost discussed by Mr. Hager in his testimony is the cost for Default
6 Service procurement (including requests for bids, contract negotiation and execution, and
7 contract administration), and the direct retail-related costs are (i) the costs of creating the
8 environmental disclosure label, (ii) the costs associated with NEPOOL's Generation
9 Information System ("GIS") attributable to Default Service load, and (iii) labor-related costs
10 associated with complying with the requirements of the Renewable Portfolio Standards
11 ("RPS").
12

13 My testimony will provide the support for certain other direct retail-related Default Service
14 costs for recovery through and inclusion in Default Service rates. These direct retail-related
15 costs are: (i) the costs associated with notifying Default Service customers of the rates for
16 Default Service and the costs associated with updating rate changes in the Company's
17 billing system, and (ii) the cost of bad debts associated with the amounts the Company bills
18 for Default Service supply. I will also calculate the related credit per kWh to the
19 Company's distribution rates as well as the surcharge per kWh to the Default Service rates
20 associated with all of the costs identified and quantified by the Company in this filing.
21

1 **III. Summary of Results**

2 Q. Could you please summarize the results of the analysis performed in the Company's filing?

3 A. In accordance with the 03-88 Order, the Company has identified its wholesale-related and
4 direct retail-related Default Service costs over the most recent 12-month period of January
5 2003 through December 2003. A summary of the results of the Company's analysis on
6 those costs is contained in Exhibit TMB-1. The summary reflects the combined results of
7 both Mass. Electric and Nantucket. Page 1 of Exhibit TMB-1 calculates the resulting credit
8 per kWh to distribution rates of 0.020¢ per kWh as well as the related surcharge per kWh to
9 Default Service rates of 0.098¢ per kWh. Page 2 of Exhibit TMB-1 summarizes the dollar
10 value of the Default Service costs identified by the Company as approximately \$4.4 million.

11
12 Q. How would the Company propose to implement the Department's 03-88 Order for
13 transferring cost recovery of these Default Service costs out of distribution rates and into
14 Default Service rates?

15 A. In accordance with the 02-40B Order, the Company has developed its analysis for cost
16 recovery in a manner that is revenue neutral to the distribution company (02-40B Order at
17 18 and 20). Therefore, the Company anticipates any mechanism adopted by the Department
18 would credit the Company's distribution rates in the dollar amount it has estimated for
19 wholesale-related and direct retail-related Default Service costs and surcharge its Default
20 Service rates for the same dollar amount. These amounts and per kWh values are reflected
21 in Exhibit TMB-1, and their derivation is provided in subsequent exhibits. The Company

1 would reconcile the actual revenue impact of the credit and surcharge mechanism against
2 the designed revenue impact on a going-forward basis. For example, the Company would
3 compare the designed revenue impact, shown in Exhibit TMB-1 of approximately \$4.4
4 million, to the actual revenue impact generated from the per kWh credit to distribution rates
5 and the per kWh surcharge to Default Service rates. Based upon that reconciliation, the
6 Company would adjust upward and/or downward both the distribution credit and Default
7 Service surcharge in order to ensure that the amount the Company provided as a credit in
8 distribution rates and the amount it collected through the Default Service rates are neither
9 nor more nor no less than the amount of recovery determined to be appropriately reflected in
10 Default Service rates (in the Company's case, \$4.4 million).

11
12 **IV. Wholesale-Related Costs**

13 Q. Please describe which wholesale-related costs associated with Default Service the Company
14 considered as part of its filing?

15 A. The first wholesale-related cost identified by the Department in its 02-40B Order and 03-88
16 Order and considered by the Company is Default Service supply cost. This cost consists of
17 payments to Default Service suppliers for the provision of Default Service energy. This cost
18 is the predominant basis for the Default Service rates today, and there is no need to transfer
19 recovery of this cost out of distribution rates and into Default Service rates, since this cost
20 has never been a component of distribution rates since March 1, 1998 (the date of retail open
21 access in Massachusetts).

1 The second wholesale-related cost is procurement cost. This cost arises from the
2 distribution company's obligation to procure Default Service on behalf of its customers, and
3 consists of competitively bidding Default Service supply, negotiating with winning bidders,
4 and executing and administering Default Service contracts. The Company has estimated the
5 cost of procurement at approximately \$67,000, as explained by Mr. Hager in his testimony.
6

7 **V. Direct Retail-Related Costs**

8 Q. Please describe which direct retail-related costs associated with Default Service the
9 Company considered as part of its filing?

10 A. The first direct retail-related cost identified by the Department in its 02-40B Order and 03-
11 88 Order and considered by the Company is the cost associated with unrecovered bad debts.
12 I discuss this item later in this section.
13

14 The second direct retail-related cost is the cost of compliance with the Department's Default
15 Service regulatory requirements. The first of the two cost items that the Company has
16 considered in this category is the activities that take place upon a change in Default Service
17 rates. These activities consist of notifying customers of any new Default Service rates and
18 processing updates to the Company's billing system to bill the appropriate rates to the
19 appropriate customer classes. Based upon the number of Company personnel involved in
20 the process of notifying customers of new Default Service rates through bill messages, web
21 site access, and the recording of the rates on the Company Voice Recognition Unit, and the

1 tasks involved with updating the billing system, the Company estimates that over a 12-
2 month period the cost of performing this function is \$18,501. This estimate is supported in
3 Exhibit TMB-2.

4
5 The second of the two cost items under Default Service regulatory requirements is the
6 environmental disclosure label, set forth in 220 CMR 11. The Company prepares a separate
7 environmental disclosure label for Default Service. In his testimony, Mr. Hager estimates
8 the cost of this activity at \$11,540 over a 12-month period.

9
10 The third direct retail-related cost identified by the Department and considered by the
11 Company is the cost of complying with RPS. This cost consists of three components at this
12 time. The first is the purchase of renewable energy certificates ("RECs") and the
13 submission of Alternative Compliance Payments ("ACPs") to the Massachusetts
14 Technology Collaborative. The second is the cost billed to the Company by the Independent
15 System Operator of New England ("ISO-NE") for the New England Power Pool's
16 ("NEPOOL") Generation Information System ("GIS"). The third cost is the labor-related
17 costs associated with procuring RECs and submitting ACPs. Regarding the recovery of
18 REC cost, the Department currently allows the Company to include an estimate of the cost
19 of RECs in Default Service rates today. Additionally, this REC cost is not currently
20 reflected in the Company's distribution rates. Therefore, there is no need to transfer
21 recovery of this cost out of distribution rates and into Default Service rates.

1 Regarding the recovery of GIS costs, as explained by Mr. Hager in his testimony, the
2 Company has been billed by ISO-NE in the past for the cost of the GIS for two reasons.
3 First, because the Company has a Default Service load obligation at NEPOOL, it is subject
4 to the RPS requirements for the Default Service load. In addition, the Company incurs GIS
5 costs because of the environmental disclosure label requirements. However, the Company
6 believes the cost associated with the GIS is unlike the other costs discussed in this filing.
7 The GIS cost is commodity-related and incurred on the basis of the amount of Default
8 Service load served. The Company's distribution rates do not include recovery of
9 commodity or commodity-related costs. Therefore, there is no component of distribution
10 rates that contains recovery of this cost.¹ Additionally, as discussed by Mr. Hager in his
11 testimony, the Company currently is not incurring any GIS cost relating to its Default
12 Service load at this time. However, the Company may incur this cost again in the future.
13 Therefore, the Company requests a determination from the Department that these GIS costs
14 should be recovered through Default Service rates without a corresponding reduction in
15 distribution rates.

16
17 The third RPS-related cost identified by the Company is labor-related costs of having to
18 procure RECs for its Default Service load and monitor RPS compliance on this load. The
19 amount of this cost for Default Service, over the 12-month period, is identified in Mr.
20 Hager's testimony as \$6,931.

¹ The Company has pending before the Department a request to recover these costs through September 2003. See

1 The final direct retail-related cost considered by the Company, as mentioned above, is the
2 cost of unrecovered bad debt. The Company has estimated the amount of bad debt
3 associated with the amount it has billed its Default Service customers for Default Service
4 supply at approximately \$4.3 million. This amount reflects a proportionate share of the
5 Company's 2003 net charge-offs on a total bill basis.

6
7 The following testimony provides more detail on how the Company arrived at the
8 uncollectible bad debts related to Default Service supply.

9
10 **VI. Uncollectible Bad Debts**

11 Q. Does the Company have a system that tracks of charge-offs by type of service (e.g., delivery
12 service, Standard Offer Service, Default Service)?

13 A. The Company does not have a system which tracks the components of a customer's bill that
14 are charged off. The system is based on the premise that the total amount billed to a
15 customer (except in the case of complete billing for competitive supplier charges) is one
16 receivable amount due from the customer, without a distinction among the charges making
17 up that receivable amount (e.g., distribution charges, transmission charges, transition
18 charges, DSM and renewables charges, Standard Offer Service charges, and Default Service
19 charges). In the case of complete billing, any competitive supplier charges are recorded
20 separately as a supplier receivable.

1 Q. Can the Company specifically identify the amount related to Default Service billings on a
2 customer's account that has been charged off?

3 A. The Company cannot specifically identify Default Service charges that have been charged
4 off.
5

6 Q. How, then, did the Company determine how much of its bad debt costs are attributable to
7 Default Service charges, the recovery of which has been identified for transfer from its
8 distribution rates to its Default Service rates?

9 A. As shown in Exhibit TMB-3, the Company has identified the amount of bad debt expense
10 for 2003, similar, but not identical, to how it would do so in a rate case. This amount is
11 approximately \$14.8 million, as shown on Line (4) of Exhibit TMB-3. To quantify the
12 amount of Default Service billings that have been charged off that is inherently included in
13 the 2003 net charge-off amount in Exhibit TMB-3, the Company must estimate this amount
14 based upon an allocation of the 2003 net charge-offs. By making sound assumptions and
15 using the information that is available from the Company's billing system, the Company
16 developed allocators and apportionment factors to form a reasonable basis upon which to
17 estimate Default Service net charge-offs for the purpose of a revenue-neutral transfer of cost
18 recovery from distribution rates to Default Service rates.
19

20 Q. What was the first step in the Company's approach to identifying Default Service charge-
21 offs?

1 A. The first step was to determine a representative level of bad debt expense to begin the
2 analysis. In its 03-88 Order, the Department instructed the utilities to accumulate costs
3 based on the most recent 12-month period. Also in its 03-88 Order, the Department cited
4 the order in the Fitchburg Gas and Electric Light Company ("FG&E") rate case, D.T.E. 02-
5 24/25. The Company reviewed the Department's order in that case relating to uncollectible
6 expense and the method by which uncollectible expense is determined as part of a rate case.
7 FG&E defined bad debt expense as net charge-offs, which was confirmed by the
8 Department in its order in that docket. As stated above, this is consistent with how the
9 Company determined its bad debt expense that is reflected in its current distribution rates
10 that arose from D.P.U./D.T.E. 96-25. Therefore, using both of these directives, the
11 Company calculated its 2003 net charge-offs for the most recent 12-month period of January
12 2003 through December 2003. The source of this calculation is the Company's books of
13 account based upon the balances and activity of FERC account 144, Accumulated Provision
14 for Uncollectible Accounts. This calculation is shown in Exhibit TMB-3 and results in a
15 total bad debt expense on a total bill basis of approximately \$14.8 million.

16
17 Q. Was this sufficient information for the Company to quantify charge-offs related solely to
18 what it billed customers for Default Service?

19 A. Unfortunately, this information was not sufficient for purposes of this filing. This
20 information identifies the total net charge-offs for all customers, not just those served on
21 Default Service, and includes, but is not limited to, generation charges, but distribution

1 charges, transmission charges, transition charges, and conservation and renewables charges.

2 Therefore, this amount reflects more than just the bad debt cost related to the provision of
3 Default Service.

4
5 Q. What was the Company's next step in estimating Default Service-related bad debt cost?

6 A. Since the Company is beginning with 2003 net charge-offs as derived from its general
7 ledger, and the Company's system that tracks charge-offs only does so at the highest level
8 (e.g., billing components are aggregated, and there is no differentiation between service
9 classification (rate classes) and energy supply (Standard Offer Service, Default Service,
10 Competitive Supply)), the Company had to derive a way in which to determine a
11 proportionate share of the 2003 net charge-offs that would fairly reflect only Default Service
12 net charge-offs. Therefore, since all gross charge-offs must be initiated through the
13 Company's billing system and the majority of recoveries also flow through the billing
14 system, the Company believed that this information could be used as a reasonable source for
15 such an allocation. The Company generated reports monthly that identified for each energy
16 supply category the gross charge-offs and recoveries by rate class. Therefore, through the
17 development of these reports, the Company was able to arrive at a reasonable accounting for
18 how much of its receivable balance was charged off and recovered from customers classified
19 on Default Service.

20
21 Q. For what purpose did the Company use this information?

1 A. The Company used this information as a means to allocate the 2003 net charge-offs to rate
2 classes and then to Default Service billings. This allocation is performed in Exhibit TMB-4.
3 First, the Company allocated the 2003 total net charge-offs to rate classes. The reason for
4 this allocation is that charge-off levels differ among rate classes, and the percentage of a
5 customer's total bill that is attributable to what he/she is billed for Default Service is also
6 dependent upon which rate class the customer receives delivery service. Therefore, to reach
7 the desired end result of the analysis, which is a fair representation of the level of Default
8 Service charge-offs, it is necessary to perform the analysis by rate class. Based upon the
9 gross charge-off and recovery reports noted above, the Company derived allocators by rate
10 class. These allocators were then applied to the 2003 total net charge-offs to arrive at
11 allocated 2003 total net charge-offs by rate class. This is shown in Section 1 of Exhibit
12 TMB-4. The calculation of the allocators appears in Exhibit TMB-5.

13
14 Next, the Company needed to arrive at a way to estimate the proportionate share of 2003
15 total net charge-offs for Default Service customers that related only to Default Service
16 accounts. This calculation is also shown in Exhibit TMB-4, Section 2 and Section 3. Using
17 the gross charge-off and recovery reports discussed above, the Company was able to
18 accumulate the gross charge-off and recovery data associated with customers classified on
19 Default Service. This accumulation is shown in Exhibit TMB-6. The Company was then
20 able to calculate, based on the data contained in its billing system, the percentage of net
21 charge-offs attributable to Default Service accounts, as shown in Section 2. By determining

1 this percentage, the Company could then estimate an allocable share of 2003 total net
2 charge-offs attributable to Default Service accounts, as shown in Section 3.

3
4 From the net charge-offs for Default Service customers accumulated from the Company's
5 billing system, the Company then derived an estimate of the level of Default Service billings
6 reflected in these net charge-offs. To accomplish this, the Company chose to use each rate
7 class's total average rate for Default Service customers on a monthly basis². By determining
8 how much the Default Service rate represented of the total average rate for each rate class,
9 the Company derived an allocator used to determine a reasonable level of Default Service
10 billings that were likely included in the net Default Service charge-off amount. The result
11 of this analysis is reflected in Section 4, Line (1) and represents an estimate of what was
12 charged off related to Default Service billings as reflected in the Company's billing system.
13 This is then compared to the amount of total Default Service charge-offs on Line (2) of
14 Section 4 to arrive at the percentage of total Default Service charge-offs attributable to
15 Default Service billings. Finally, this percentage is applied to the estimate of the allocable
16 share of 2003 Default Service charge-offs calculated in Section 3 to arrive at an estimate of
17 the allocable share of 2003 Default Service charge-offs attributable to Default Service
18 billings, as shown in Section 5 of Exhibit TMB-4. The monthly total average Default
19 Service rate by rate class is shown in Exhibit TMB-7 for Mass. Electric and Exhibit TMB-8
20 for Nantucket.

² The Company derived the total average rate for Default Service customers based on revenue requirement (for

1 Q. In your testimony above, you mentioned Exhibit TMB-6 as the source of estimating how
2 much of total Default Service net charge-offs can be attributable to Default Service billings.
3 Can you please explain this exhibit in more detail?

4 A. Section 1 and Section 2 on Page 1 of Exhibit TMB-6 reflect the gross charge-offs and
5 recoveries, respectively, for the 12-month period, by rate class, as extracted by the Company
6 from its billing system. Section 3 summarizes the total Default Service net charge-offs and
7 the portion estimated to be attributable to Default Service billings. As stated earlier, these
8 amounts were accumulated from the reports generated from the Company's billing system,
9 and reflect only that activity that runs through the billing system. Therefore, the Company
10 has chosen to use this extracted information only as a means developing allocators.

11
12 Page 1, Section 1 of Exhibit TMB-6 shows the results for gross charge-offs and Page 1,
13 Section 2 shows the results for recoveries. The detail behind the amounts appearing on Page
14 1 of Exhibit TMB-6 is found on the following pages of Exhibit TMB-6. Pages 2 and 3
15 accumulate gross charge-offs for Mass. Electric and Nantucket, respectively, while Pages 4
16 and 5 accumulate recoveries for Mass. Electric and Nantucket, respectively.

17
18 All pages are set up identical to one another. By referencing Page 2 of Exhibit TMB-6, the
19 apportionment calculation can be summarized. As can be seen, each month of the 12-month
20 period is shown, and each rate class except for Rate R-2, Low Income Residential, is

distribution charges), statutory levels of charges, and approved rates,

1 represented. Prior to November 2003, there were no Rate R-2 customers on Default
2 Service, and any charge-offs in November 2003 and December 2003 relating to Rate R-2
3 customers would have been for outstanding billings while the accounts for these customers
4 were classified on Rate R-1, Regular Residential (prior to qualifying for Rate R-2).
5 Therefore, Rate R-2 has been eliminated from this analysis and any Rate R-2 gross charge-
6 offs and recoveries have been included in the data for Rate R-1.

7
8 Line (1) on Page 2 of Exhibit TMB-6 shows the amount that was charged off for Default
9 Service customers in each month of the 12-month period. Based upon the process for
10 charging off accounts in the Company's billing system, receivable balances typically reflect
11 approximately three months of billings and are about three months old. Therefore, as shown
12 on Line (2) of Exhibit TMB-6, the Company has identified the likely month for applying the
13 average Default Service rate allocator as six months prior to the month of charge off. Based
14 upon this month, the applicable percentage of the total Default Service rate associated with
15 Default Service billings is determined. This is identified on Line (3) of Exhibit TMB-6.
16 Finally, to calculate the estimated amount of Default Service charge-offs associated with
17 Default Service billings, Line (1) is multiplied by Line (3) to arrive at the amount on Line
18 (4). This calculation is performed monthly for each of the rate classes shown, and
19 accumulated for the 12-month period.

20
21 Q. How did the Company determine the percentages on Line (3) of Exhibit TMB-6?

1 A. The percentages on Line (3) of Exhibit TMB-6 can be found in Exhibit TMB-7 for Mass.
2 Electric and Exhibit TMB-8 for Nantucket. These exhibits reflect the total average rate for
3 Default Service customers by rate class for the months of January 2002 through November
4 2003. The total average rate for Default Service customers is divided between retail
5 delivery and Default Service supply. Since a customer may accumulate more than one
6 month of unpaid bills prior to the Company charging off the account balance, the Company
7 wanted to reflect this in the development of the allocation factor. Generally, the Company
8 will charge off an account that has three to four months of unpaid bills. Therefore, the
9 Company calculated a quarterly rolling average Default Service rate and a quarterly rolling
10 average total rate. The percentage shown on Line (3) of Exhibit TMB-6 represents the
11 quarterly rolling average Default Service supply rate divided by the quarterly rolling
12 average total rate. In this way the Company has attempted to reflect a representative level of
13 Default Service billings in Exhibit TMB-6.

14
15 Q. After all of these allocations, what is the Company identifying as the bad debt expense for
16 the most recent 12-month period?

17 A. Based on the various allocations and apportionments performed by the Company in Exhibit
18 TMB-4, Exhibit TMB-5 and Exhibit TMB-6, the Company estimates, as shown in Section 5
19 of Exhibit TMB-4, that of the approximately \$14.8 million of net charge-offs for calendar
20 year 2003, approximately \$4.3 million are associated with Default Service supply billings.

VII. Calculation of Rate Adjustments

Q. How is the Company proposing to calculate the rate adjustments to distribution rates and Default Service rates?

A. Pursuant to the 03-88 Order, the Company is proposing to calculate a uniform cents per kWh adjustment to both its distribution rates and Default Service rates, as shown in Exhibit TMB-1, Page 1. This produces a uniform credit to distribution rates for all rate classes of 0.020¢ per kWh, and a uniform surcharge of 0.098¢ per kWh to Default Service rates for all rate classes. To the extent that a uniform adjustment does not make sense (as in the case of the off-peak distribution energy charge of Rate G-3, Time-of-Use General Service), the Company would design the adjustment to distribution rates in a way which would be consistent with the distribution rate structure. As indicated above, the Company proposes to perform an annual reconciliation to ensure that the amount of revenue collected through the Default Service surcharge and the amount that distribution revenue is reduced by credit equals the amount determined to be appropriately recovered in Default Service rates.

VIII. Conclusion

Q. Does this conclude your testimony?

A. Yes it does.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. No. 03-88E
Witness: Burns

Exhibits

Exhibit TMB-1	Calculation of Rate Adjustments
Exhibit TMB-2	Estimate of Default Service Customer Notice and Rate Change Costs
Exhibit TMB-3	2003 Net Charge-Offs
Exhibit TMB-4	Allocation of 2003 Net Charge-Offs to Default Service
Exhibit TMB-5	Calculation of Total Net Charge-Off Allocator
Exhibit TMB-6	Calculation of Default Service Net Charge-Off Allocator
Exhibit TMB-7	Calculation of Average Default Service Rate Allocator for Mass. Electric
Exhibit TMB-8	Calculation of Average Default Service Rate Allocator for Nantucket Electric

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Burns

Exhibit TMB-1

Calculation of Rate Adjustments

Massachusetts Electric Company
Nantucket Electric Company
Calculation of Adjustment to Rates

Section 1: Calculation of Credit to Distribution Rates

(1)	Total Default Service Costs	\$4,446,584
(2)	Distribution-Related kWh Deliveries for Credit Calculation	21,843,881,736
(3)	Distribution Credit per kWh (Total)	(\$0.00020)
(1)	Page 2, Section 4, Line (11)	
(2)	Section 3, Line (1)	
(3)	Line (1) ÷ Line (2), truncated after 5 decimal places.	

Section 2: Calculation of Surcharge to Default Service Rates

(1)	Total Default Service Costs	\$4,446,584
(2)	Default Service kWh Deliveries	4,509,053,531
(3)	Default Service Surcharge per kWh	\$0.00098
(1)	Page 2, Section 4, Line (11)	
(2)	Section 3, Line (2)	
(3)	Line (1) ÷ Line (2), truncated after 5 decimal places	

Section 3: kWh Data for the Period January 2003 through December 2003

(1)	Total Company kWh Deliveries	21,843,881,736
(2)	Default Service kWh Deliveries	4,509,053,531

Source: Company billing records

Massachusetts Electric Company
Nantucket Electric Company
Calculation of Adjustment to Rates

Section 1: Default Service Costs

Wholesale Costs:

(1)	Procurement	\$57,995
(2)	Ongoing Administration	<u>\$9,231</u>
(3)	Total Wholesale Costs	\$67,226

Direct Retail:

(4)	Customer Communication and Rate Change Processing	\$18,501
(5)	Environmental Disclosure Label	\$11,540
(6)	GIS Costs from ISO-NE	\$0
(7)	RPS Compliance Costs	\$6,931
(8)	Bad Debt Expense	<u>\$4,342,386</u>
(9)	Total Direct Retail Costs	\$4,379,358
(10)	Total Default Service Costs	\$4,446,584

(1)	Exhibit MJH-1
(2)	Exhibit MJH-1
(3)	Line (1) + Line (2)
(4)	Exhibit TMB-2
(5)	Exhibit MJH-2
(6)	Per testimony of Ms. Burns
(7)	Exhibit MJH-3
(8)	Exhibit TMB-3
(9)	Sum of Lines (4) through (8)
(10)	Line (3) + Line (9)

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Burns

Exhibit TMB-2

Estimate of Default Service Customer Notice and Rate Change Costs

Massachusetts Electric Company
Nantucket Electric Company
Direct Retail Costs - Customer Communication and Rate Change Costs

Section 1: Web and E-Business Group:

(1)	Number of Hours to Process Web Site Update per Rate Change	4
(2)	Number of Rates Changes in a 12-Month Period	4
(3)	Total Number of Hours to Update Web Site in a 12-Month Period	16
(4)	Average Hourly Labor Rate for Web Site Personnel	\$33
(5)	Average Labor Overhead Mark-Up	<u>89.99%</u>
(6)	Estimated Cost of Web Site Update in a 12-Month Period	\$1,003

(1)	Per Web and E-Business Group
(2)	Number of default service rate changes in a 12 month period
(3)	Line (1) x Line (2)
(4)	Per Web and E-Business Group
(5)	Per 2002 FERC Form 1
(6)	Line (3) x Line (4) x [1 + Line (5)]

Section 2: Billing& Systems Group

(1)	Number of Hours to Process Rate Changes and Communication Pieces Per Month	20
(2)	Number of Months	<u>12</u>
(3)	Total Number of Hours to Process Rate Changes and Communication Pieces Per Month	245
(4)	Average Hourly Labor Rate for Billing & Systems Personnel	\$26.47
(5)	Average Labor Overhead Mark-Up	<u>104.54%</u>
(6)	Estimated Cost of Billing & Systems in a 12-Month Period	\$13,254

(1)	Per Billing & Systems
(2)	Number of months in 12 month period.
(3)	Line (1) x Line (2)
(4)	Per Billing & Systems
(5)	Per 2002 FERC Form 1
(6)	Line (3) x Line (4) x [1 + Line (5)]

Section 3: Information Technology

(1)	Number of Hours to Process Rate Changes and Communication Pieces Per Month	4
(2)	Number of Months	<u>12</u>
(3)	Total Number of Hours to Process Rate Changes and Communication Pieces Per Month	48
(4)	Average Hourly Labor Rate for Billing & Systems Personnel	\$45.00
(5)	Average Labor Overhead Mark-Up	<u>96.46%</u>
(6)	Estimated Cost of Billing & Systems in a 12-Month Period	\$4,244

(1)	Per Information Technology
(2)	Number of months in 12 month period.
(3)	Line (1) x Line (2)
(4)	Per Information Technology
(5)	Per 2002 FERC Form 1
(6)	Line (3) x Line (4) x [1 + Line (5)]

Section 4: Total Communication and Rate Change Costs:

(1)	Total Estimated Cost of Customer Communication and Processing Rate Changes	\$18,501
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MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Burns

Exhibit TMB-3

2003 Net Charge-Offs

Massachusetts Electric Company
Nantucket Electric Company
Bad Debt Expense
Calculation of 2003 Net Charge-Offs

(1)	Bad Debt Reserve @ January 1, 2003	\$12,705,013
(2)	Plus Additions to Reserve during 2003	\$13,989,298
(3)	Less Bad Debt Reserve @ December 31, 2003	<u>\$11,848,273</u>
(4)	2003 Net Charge-Offs	\$14,846,038

- (1) Preliminary Company financial statements for FERC account 144
- (2) Preliminary Company financial statements for FERC account 904
- (3) Preliminary Company financial statements for FERC account 144
- (4) Line (1) + Line (2) - Line (3)

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Burns

Exhibit TMB-4

Allocation of 2003 Net Charge-Offs to Default Service

Massachusetts Electric Company
Nantucket Electric Company
Allocation of 2003 Net Charge-Offs to Default Service

		<u>Total</u>	<u>R-1</u>	<u>R-2</u>	<u>R-4</u>	<u>G-1</u>	<u>G-2</u>	<u>G-3</u>	<u>S</u>
<u>Section 1: Allocation of 2003 Net Charge-Offs to Rate Classes</u>									
(1)	2003 Net Charge Offs for All Accounts per CIS	\$15,484,888	\$9,272,425	\$2,514,484	(\$3,392)	\$1,370,628	\$781,076	\$1,509,004	\$40,663
(2)	Allocator Based on Net Charge Offs for All Accounts	100.00%	59.88%	16.24%	-0.02%	8.85%	5.04%	9.75%	0.26%
(3)	2003 Net Charge-Offs	\$14,846,038							
(4)	Allocation of 2003 Net Charge-Offs to Rate Classes	\$14,846,038	\$8,889,879	\$2,410,745	(\$3,252)	\$1,314,081	\$748,851	\$1,446,748	\$38,985
(1)	Exhibit TMB-5, Page 1, Section 3, Line (1)								
(2)	Line (1), each rate class as a percent of the total								
(3)	Exhibit TMB-3, Line (4)								
(4)	Line (2) x Line (3)								

<u>Section 2: Default Service Accounts as a Percentage of All Accounts</u>									
(1)	2003 Net Charge-Offs for Default Service Accounts per CIS	\$9,534,065	\$7,263,183	\$0	(\$650)	\$940,319	\$358,861	\$947,806	\$24,545
(2)	2003 Net Charge Offs for All Accounts per CIS	\$15,484,888	\$9,272,425	\$2,514,484	(\$3,392)	\$1,370,628	\$781,076	\$1,509,004	\$40,663
(3)	Percentage of Charge-Offs Related to Default Service Accounts, by Rate Class		78.33%	0.00%	19.17%	68.60%	45.94%	62.81%	60.36%
(1)	Exhibit TMB-6, Page 1, Section 3, Line (1)								
(2)	Section 1, Line (1)								
(3)	Line (1) ÷ Line (2)								

<u>Section 3: Allocation of 2003 Net Charge-Offs to Default Service Accounts</u>									
(1)	Allocation of 2003 Net Charge-Offs to Rate Classes	\$14,846,038	\$8,889,879	\$2,410,745	(\$3,252)	\$1,314,081	\$748,851	\$1,446,748	\$38,985
(2)	Percentage of Charge-Offs Related to Default Service Accounts, by Rate Class		78.33%	0.00%	19.17%	68.60%	45.94%	62.81%	60.36%
(3)	Allocated Share of 2003 Net Charge-Offs for Default Service Accounts, by Rate Class	\$9,140,724	\$6,963,531	\$0	(\$623)	\$901,525	\$344,056	\$908,703	\$23,533
(1)	Section 1, Line (4)								
(2)	Section 2, Line (3)								
(3)	Line (1) x Line (2)								

<u>Section 4: Default Service Billing Charge-Offs as a Percentage of Default Service Accounts Charged Off</u>									
(1)	Estimate of Default Service Billing Charge-Offs per CIS	\$4,529,247	\$3,342,743	\$0	(\$378)	\$396,633	\$176,977	\$606,076	\$7,196
(2)	2003 Net Charge-Offs for Default Service Accounts per CIS	\$9,534,065	\$7,263,183	\$0	(\$650)	\$940,319	\$358,861	\$947,806	\$24,545
(3)	Percentage of Default Service Charge-Offs Related to Default Service Billings, by Rate Class		46.02%	0.00%	58.09%	42.18%	49.32%	63.95%	29.32%
(1)	Exhibit TMB-6, Page 1, Section 3, Line (2)								
(2)	Section 2, Line (1)								
(3)	Line (1) ÷ Line (2)								

<u>Section 5: Allocation of Estimated Default Service Charge-Offs to Default Service Billings</u>									
(1)	Percentage of Default Service Charge-Offs Related to Default Service Billings, by Rate Class		46.02%	0.00%	58.09%	42.18%	49.32%	63.95%	29.32%
(2)	Allocated Share of 2003 Net Charge-Offs for Default Service Accounts, by Rate Class	\$9,140,724	\$6,963,531	\$0	(\$623)	\$901,525	\$344,056	\$908,703	\$23,533
(3)	Allocated Share of 2003 Net Charge-Offs for Default Service Billings, by Rate Class	\$4,342,386	\$3,204,833	\$0	(\$362)	\$380,269	\$169,675	\$581,072	\$6,899
(1)	Section 4, Line (3)								
(2)	Section 3, Line (3)								
(3)	Line (1) x Line (2)								

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Burns

Exhibit TMB-5

Calculation of Total Net Charge-Off Allocator

Massachusetts Electric Company
Nantucket Electric Company
Net Charge Offs for All Accounts

		<u>Total</u>	<u>R-1</u>	<u>R-2</u>	<u>R-4</u>	<u>G-1</u>	<u>G-2</u>	<u>G-3</u>	<u>S</u>
<u>Section 1: Gross Charge Offs for All Accounts</u>									
	<u>Amount of C/O for all Accounts</u>								
(1)	Mass. Electric	\$18,877,638	\$11,564,947	\$2,950,133	\$523	\$1,755,708	\$899,966	\$1,639,897	\$66,463
(2)	Nantucket Electric	<u>\$64,646</u>	<u>\$53,609</u>	<u>\$2,027</u>	<u>\$0</u>	<u>\$9,002</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9</u>
(3)	Total	\$18,942,284	\$11,618,557	\$2,952,160	\$523	\$1,764,709	\$899,966	\$1,639,897	\$66,472
(4)	Allocator Based On Gross Charge Offs	100.00%	61.34%	15.59%	0.00%	9.32%	4.75%	8.66%	0.35%
(1)	Page 2 of 5								
(2)	Page 3 of 5								
(3)	Line (1) + Line (2)								
(4)	Each rate class's Line (3) as a percentage of total of Line (3)								

Section 2: Recoveries for All Accounts

	<u>Amount of Recovery for All Accounts</u>								
(1)	Mass. Electric	(\$3,438,916)	(\$2,330,507)	(\$437,466)	(\$3,915)	(\$391,443)	(\$118,890)	(\$130,893)	(\$25,800)
(2)	Nantucket Electric	<u>(\$18,480)</u>	<u>(\$15,624)</u>	<u>(\$210)</u>	<u>\$0</u>	<u>(\$2,637)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$9)</u>
(3)	Total	(\$3,457,396)	(\$2,346,132)	(\$437,676)	(\$3,915)	(\$394,081)	(\$118,890)	(\$130,893)	(\$25,809)
(4)	Allocator Based On Recoveries	100.00%	67.86%	12.66%	0.11%	11.40%	3.44%	3.79%	0.75%
(1)	Page 4 of 5								
(2)	Page 5 of 5								
(3)	Line (1) + Line (2)								
(4)	Each rate class's Line (3) as a percentage of total of Line (3)								

Section 3: Total Company Amounts for All Accounts

(1)	Total Company Net Charge-Offs	\$15,484,888	\$9,272,425	\$2,514,484	(\$3,392)	\$1,370,628	\$781,076	\$1,509,004	\$40,663
(2)	Allocator Based On Net Charge Offs	100.00%	59.88%	16.24%	-0.02%	8.85%	5.04%	9.75%	0.26%
(1)	Sum of Section 1 and Section 2								
(2)	Each rate class's Line (1) as a percentage of total of Line (1)								

Massachusetts Electric Company
Total Charge Offs for All Accounts

2003

Month of Charge-Off	January	February	March	April	May	June	July	August	September	October	November	December	Annual Total
<u>Rate R-1</u>													
Amount of C/O for all Accounts	\$1,073,605	\$903,144	\$638,756	\$715,255	\$681,084	\$852,149	\$1,019,405	\$1,419,236	\$1,082,738	\$1,109,730	\$1,004,144	\$1,065,700	\$11,564,947
<u>Rate R-2</u>													
Amount of C/O for all Accounts	\$255,097	\$221,182	\$131,847	\$157,595	\$166,911	\$198,010	\$226,607	\$303,332	\$320,638	\$364,305	\$307,861	\$296,747	\$2,950,133
<u>Rate R-4</u>													
Amount of C/O for all Accounts	\$523	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$523
<u>Rate G-1</u>													
Amount of C/O for all Accounts	\$173,172	\$121,207	\$120,680	\$144,980	\$124,188	\$131,312	\$122,515	\$161,715	\$110,170	\$170,120	\$246,623	\$129,025	\$1,755,708
<u>Rate G-2</u>													
Amount of C/O for all Accounts	\$46,570	\$59,834	\$18,137	\$100,221	\$31,960	\$51,285	\$46,155	\$70,597	\$128,882	\$169,034	\$78,483	\$98,808	\$899,966
<u>Rate G-3</u>													
Amount of C/O for all Accounts	\$93,009	\$3,718	\$0	\$10,632	\$23,030	\$184,760	\$271,891	\$11,654	\$763,346	\$5,000	\$272,687	\$169	\$1,639,897
<u>Rate S</u>													
Amount of C/O for all Accounts	\$5,283	\$7,958	\$4,721	\$9,316	\$7,919	\$3,962	\$4,167	\$6,197	\$3,373	\$4,213	\$5,509	\$3,846	\$66,463
Amount of C/O for all Accounts	\$1,647,260	\$1,317,042	\$914,142	\$1,138,000	\$1,035,092	\$1,421,479	\$1,690,739	\$1,972,731	\$2,409,148	\$1,822,402	\$1,915,307	\$1,594,295	\$18,877,638

Nantucket Electric Company
Total Charge Offs for All Accounts

Month of Charge-Off	2003												Annual Total
	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	
<u>Rate R-1</u>													
Amount of C/O for all Accounts	\$5,651	\$3,287	\$1,986	\$1,918	\$6,447	\$5,783	\$12,639	\$5,043	\$4,038	\$2,624	\$105	\$4,088	\$53,609
<u>Rate R-2</u>													
Amount of C/O for all Accounts	\$89	\$0	\$209	\$0	\$0	\$0	\$0	\$89	\$0	\$1,309	\$262	\$68	\$2,027
<u>Rate R-4</u>													
Amount of C/O for all Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-1</u>													
Amount of C/O for all Accounts	\$128	\$2,974	\$0	\$380	\$26	\$9	\$4,712	\$0	\$392	\$67	\$158	\$156	\$9,002
<u>Rate G-2</u>													
Amount of C/O for all Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-3</u>													
Amount of C/O for all Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate S</u>													
Amount of C/O for all Accounts	\$0	\$0	\$9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9
Amount of C/O for all Accounts	\$5,868	\$6,261	\$2,204	\$2,298	\$6,473	\$5,792	\$17,351	\$5,131	\$4,431	\$4,000	\$525	\$4,312	\$64,646

Massachusetts Electric Company
Electronic Recoveries for All Accounts

Month of Recovery	2003												Annual Total
	January	February	March	April	May	June	July	August	September	October	November	December	
<u>Rate R-1</u>													
Amount of Recovery for All Accounts	(\$103,900)	(\$167,992)	(\$173,721)	(\$246,801)	(\$211,230)	(\$224,780)	(\$203,416)	(\$184,767)	(\$202,572)	(\$206,961)	(\$217,640)	(\$186,727)	(\$2,330,507)
<u>Rate R-2</u>													
Amount of Recovery for All Accounts	(\$15,455)	(\$27,131)	(\$25,354)	(\$49,982)	(\$55,280)	(\$41,300)	(\$37,049)	(\$34,760)	(\$32,635)	(\$40,837)	(\$40,963)	(\$36,722)	(\$437,466)
<u>Rate R-4</u>													
Amount of Recovery for All Accounts	(\$10)	(\$433)	\$0	(\$167)	(\$523)	\$0	\$0	\$0	(\$2,812)	\$0	\$30	\$0	(\$3,915)
<u>Rate G-1</u>													
Amount of Recovery for All Accounts	(\$11,208)	(\$14,180)	(\$26,865)	(\$42,184)	(\$41,986)	(\$41,504)	(\$68,590)	(\$24,126)	(\$9,811)	(\$37,229)	(\$43,966)	(\$29,795)	(\$391,443)
<u>Rate G-2</u>													
Amount of Recovery for All Accounts	(\$9,907)	(\$1,671)	(\$5,345)	(\$19,044)	(\$8,258)	(\$8,924)	(\$5,841)	(\$14,143)	(\$16,473)	(\$13,630)	(\$4,479)	(\$11,176)	(\$118,890)
<u>Rate G-3</u>													
Amount of Recovery for All Accounts	(\$2,232)	(\$1,816)	(\$6,618)	(\$4,115)	(\$9,663)	(\$16,536)	(\$16,115)	(\$25,245)	(\$11,962)	(\$14,293)	(\$6,320)	(\$15,979)	(\$130,893)
<u>Rate S</u>													
Amount of Recovery for All Accounts	(\$3,532)	(\$1,248)	(\$1,422)	(\$1,473)	(\$692)	(\$4,160)	(\$3,869)	(\$360)	(\$348)	(\$5,920)	(\$2,753)	(\$23)	(\$25,800)
Amount of Recovery for All Accounts	(\$146,243)	(\$214,471)	(\$239,324)	(\$363,767)	(\$327,633)	(\$337,204)	(\$334,880)	(\$283,401)	(\$276,611)	(\$318,869)	(\$316,091)	(\$280,421)	(\$3,438,916)

Nantucket Electric Company
Electronic Recoveries for All Accounts

Month of Recovery	2003												Annual Total
	January	February	March	April	May	June	July	August	September	October	November	December	
<u>Rate R-1</u>													
Amount of Recovery for All Accounts	(\$284)	(\$445)	(\$100)	(\$1,095)	(\$371)	(\$1,984)	(\$554)	(\$2,526)	(\$819)	(\$4,521)	(\$2,591)	(\$334)	(\$15,624)
<u>Rate R-2</u>													
Amount of Recovery for All Accounts	\$0	\$0	\$0	\$0	\$0	(\$210)	\$0	\$0	\$0	\$0	\$0	\$0	(\$210)
<u>Rate R-4</u>													
Amount of Recovery for All Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-1</u>													
Amount of Recovery for All Accounts	\$381	\$810	\$0	(\$3,262)	\$0	\$0	(\$508)	(\$26)	\$0	\$0	(\$32)	\$0	(\$2,637)
<u>Rate G-2</u>													
Amount of Recovery for All Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-3</u>													
Amount of Recovery for All Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate S</u>													
Amount of Recovery for All Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$9)	\$0	\$0	\$0	\$0	(\$9)
Amount of Recovery for All Accounts	\$97	\$365	(\$100)	(\$4,356)	(\$371)	(\$2,194)	(\$1,062)	(\$2,561)	(\$819)	(\$4,521)	(\$2,623)	(\$334)	(\$18,480)

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Burns

Exhibit TMB-6

Calculation of Default Service Net Charge-Off Allocator

Total	R-1	R-2	R-4	G-1	G-2	G-3	S
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Mass. Electric

Nantucket ElectricTotal

(1) - (2) Page 2 of 5
(3) - (4) Page 3 of 5
(5) Line (1) + Line (3)
(6) Line (2) + Line (4)
(7) Each rate class's Line (6) as a percentage of total Line (6)

Mass. Electric

Nantucket ElectricTotal

(1) - (2) Page 4 of 5
(3) - (4) Page 5 of 5
(5) Line (1) + Line (3)
(6) Line (2) + Line (4)
(7) Each rate class's Line (6) as a percentage of total Line (6)

- (1) Section 1, Line (5) + Section 2, Line (5)
- (2) Section 1, Line (6) + Section 2, Line (6)

Massachusetts Electric Company
Estimated Default Service Charge Offs for Default Service Accounts

Month of Charge-Off		2003												Annual Total
		January	February	March	April	May	June	July	August	September	October	November	December	
<u>Rate R-1</u>														
(1)	Amount of C/O for Default Service Accounts	\$751,791	\$657,448	\$455,563	\$541,615	\$533,314	\$645,676	\$786,023	\$1,055,988	\$831,618	\$852,238	\$734,447	\$828,752	\$8,674,472
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Default Service Rate as a % of Total Rate	55.4869%	54.5551%	54.5551%	54.5551%	54.5551%	53.0863%	51.5193%	49.7233%	49.6032%	49.4837%	49.4837%	52.0593%	
(4)	Default Service-Related Charge-Off	\$417,145	\$358,672	\$248,533	\$295,479	\$290,950	\$342,765	\$404,953	\$525,072	\$412,509	\$421,719	\$363,432	\$431,443	\$4,081,229
<u>Rate R-4</u>														
(1)	Amount of C/O for Default Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Default Service Rate as a % of Total Rate	58.9340%	58.0198%	58.0198%	58.0198%	58.0198%	56.5738%	55.0246%	53.8533%	54.3549%	54.8660%	54.8660%	57.4033%	
(4)	Default Service-Related Charge-Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-1</u>														
(1)	Amount of C/O for Default Service Accounts	\$89,013	\$86,703	\$77,527	\$95,676	\$79,124	\$97,576	\$94,853	\$142,621	\$83,101	\$122,335	\$107,943	\$109,484	\$1,185,954
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Default Service Rate as a % of Total Rate	51.8095%	51.1115%	51.1115%	51.1115%	51.1115%	49.1862%	47.1030%	44.6817%	44.5228%	44.3650%	44.3650%	47.6537%	
(4)	Default Service-Related Charge-Off	\$46,117	\$44,315	\$39,625	\$48,901	\$40,441	\$47,994	\$44,679	\$63,725	\$36,999	\$54,274	\$47,889	\$52,173	\$514,960
<u>Rate G-2</u>														
(1)	Amount of C/O for Default Service Accounts	\$4,157	\$34,649	\$8,224	\$67,293	\$7,480	\$31,525	\$23,941	\$44,218	\$52,923	\$16,943	\$55,739	\$48,269	\$395,362
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Default Service Rate as a % of Total Rate	59.1370%	57.4529%	57.4529%	57.4529%	57.4529%	57.0757%	56.8741%	57.1377%	57.4389%	56.5257%	55.6746%	58.0595%	
(4)	Default Service-Related Charge-Off	\$2,458	\$19,907	\$4,725	\$38,662	\$4,298	\$17,993	\$13,616	\$25,265	\$30,398	\$9,577	\$31,033	\$28,025	\$197,932
<u>Rate G-3</u>														
(1)	Amount of C/O for Default Service Accounts	\$0	\$3,718	\$0	\$0	\$7,116	\$42,938	\$194,581	\$5,609	\$760,788	\$0	\$0	\$169	\$1,014,920
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Default Service Rate as a % of Total Rate	65.9756%	64.4036%	64.4036%	64.4036%	64.4036%	64.0495%	63.8600%	63.8860%	63.9444%	62.8796%	62.0694%	64.3307%	
(4)	Default Service-Related Charge-Off	\$0	\$2,395	\$0	\$0	\$4,583	\$27,502	\$124,259	\$3,584	\$486,557	\$0	\$0	\$109	\$648,879
<u>Rate S</u>														
(1)	Amount of C/O for Default Service Accounts	\$500	\$3,979	\$1,980	\$5,732	\$5,052	\$2,044	\$2,145	\$1,892	\$981	\$1,616	\$2,759	\$1,846	\$30,524
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Default Service Rate as a % of Total Rate	33.4441%	32.8250%	32.8250%	32.8250%	32.8250%	31.1496%	29.3886%	27.5681%	27.6395%	27.7113%	27.7210%	30.4818%	
(4)	Default Service-Related Charge-Off	\$167	\$1,306	\$650	\$1,882	\$1,658	\$637	\$630	\$521	\$271	\$448	\$765	\$563	\$8,935
<u>Rate S</u>														
(1)	Amount of C/O for Default Service Accounts	\$845,460	\$786,497	\$543,294	\$710,316	\$632,087	\$819,759	\$1,101,543	\$1,250,327	\$1,729,410	\$993,132	\$900,888	\$988,521	\$10,312,712
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Default Service Rate as a % of Total Rate	46.6587%	46.6587%	46.6587%	46.6587%	46.6587%	46.6587%	46.6587%	46.6587%	46.6587%	46.6587%	46.6587%	46.6587%	
(4)	Default Service-Related Charge-Offs	\$465,887	\$426,594	\$293,533	\$384,924	\$341,931	\$436,891	\$588,138	\$618,168	\$966,734	\$486,018	\$443,118	\$512,312	\$5,451,936

Nantucket Electric Company
Estimated Default Service Charge Offs for Default Service Accounts

Month of Charge-Off	2003												Annual Total
	January	February	March	April	May	June	July	August	September	October	November	December	
<u>Rate R-1</u>													
(1) Amount of C/O for Default Service Accounts	\$3,234	\$2,960	\$1,901	\$1,204	\$610	\$4,415	\$6,908	\$4,405	\$3,373	\$2,596	\$105	\$4,088	\$35,799
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Default Service Rate as a % of Total Rate	47.9331%	45.8944%	44.8448%	44.8448%	45.8944%	45.5250%	45.1149%	43.3316%	43.2028%	43.0747%	43.0747%	45.6179%	
(4) Default Service-Related Charge-Offs	\$1,550	\$1,358	\$853	\$540	\$280	\$2,010	\$3,117	\$1,909	\$1,457	\$1,118	\$45	\$1,865	\$16,102
<u>Rate R-4</u>													
(1) Amount of C/O for Default Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Default Service Rate as a % of Total Rate	58.9340%	58.0198%	58.0198%	58.0198%	58.0198%	56.5738%	55.0246%	53.8533%	54.3549%	54.8660%	54.8660%	57.4033%	
(4) Default Service-Related Charge-Offs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-1</u>													
(1) Amount of C/O for Default Service Accounts	\$128	\$2,922	\$0	\$247	\$0	\$9	\$4,310	\$0	\$0	\$67	\$158	\$156	\$7,997
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Default Service Rate as a % of Total Rate	43.4759%	42.6099%	42.4307%	42.4307%	42.6099%	40.9163%	39.0921%	36.8023%	36.6589%	36.5166%	36.5166%	39.6380%	
(4) Default Service-Related Charge-Offs	\$56	\$1,245	\$0	\$105	\$0	\$4	\$1,685	\$0	\$0	\$24	\$58	\$62	\$3,238
<u>Rate G-2</u>													
(1) Amount of C/O for Default Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Default Service Rate as a % of Total Rate	44.6843%	42.4454%	41.9250%	41.9250%	42.4454%	42.6016%	42.9459%	43.2519%	43.5959%	42.7226%	41.8791%	44.2003%	
(4) Default Service-Related Charge-Offs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-3</u>													
(1) Amount of C/O for Default Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Default Service Rate as a % of Total Rate	52.6085%	50.3234%	49.7800%	49.7800%	50.3234%	50.4936%	50.8561%	51.0244%	51.2338%	50.2069%	49.3430%	51.7098%	
(4) Default Service-Related Charge-Offs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate S</u>													
(1) Amount of C/O for Default Service Accounts	\$0	\$0	\$9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Default Service Rate as a % of Total Rate	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	
(4) Default Service-Related Charge-Offs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amount of C/O for Default Service Accounts	\$3,362	\$5,882	\$1,910	\$1,452	\$610	\$4,424	\$11,219	\$4,405	\$3,373	\$2,662	\$263	\$4,243	\$43,805
Total Default Service-Related Charge-Offs	\$1,606	\$2,604	\$853	\$645	\$280	\$2,014	\$4,802	\$1,909	\$1,457	\$1,142	\$103	\$1,926	\$19,340

Massachusetts Electric Company
Estimated Electronic Default Service Recoveries for Default Service Accounts

2003

Month of Recovery	2003												Annual Total
	January	February	March	April	May	June	July	August	September	October	November	December	
<u>Rate R-1</u>													
(1) Amount of Recovery for Default Service Accounts													
(2) Month for Rate Application	July	(\$54,518)	(\$97,698)	(\$110,722)	(\$128,263)	(\$138,222)	(\$119,605)	(\$114,904)	(\$129,726)	(\$128,418)	(\$138,213)	(\$124,087)	(\$1,436,588)
(3) Default Service Rate as a % of Total Rate	55.4869%	54.5551%	54.5551%	54.5551%	54.5551%	53.0863%	51.5193%	49.7233%	49.6032%	49.4837%	49.4837%	52.0593%	
(4) Default Service-Related Recovery	(\$30,250)	(\$53,299)	(\$60,405)	(\$83,040)	(\$69,974)	(\$73,377)	(\$61,619)	(\$57,134)	(\$64,349)	(\$63,546)	(\$68,393)	(\$64,599)	(\$749,984)
<u>Rate R-4</u>													
(1) Amount of Recovery for Default Service Accounts													
(2) Month for Rate Application	July	(\$50)	(\$433)	\$0	(\$167)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$650)
(3) Default Service Rate as a % of Total Rate	58.9340%	58.0198%	58.0198%	58.0198%	58.0198%	56.5738%	55.0246%	53.8533%	54.3549%	54.8660%	54.8660%	57.4033%	
(4) Default Service-Related Recovery	(\$29)	(\$251)	\$0	(\$97)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$378)
<u>Rate G-1</u>													
(1) Amount of Recovery for Default Service Accounts													
(2) Month for Rate Application	July	(\$6,779)	(\$8,571)	(\$20,194)	(\$24,196)	(\$25,673)	(\$44,870)	(\$15,146)	(\$5,424)	(\$26,341)	(\$27,736)	(\$17,525)	(\$251,154)
(3) Default Service Rate as a % of Total Rate	51.8095%	51.115%	51.115%	51.115%	51.115%	49.1862%	47.1030%	44.6817%	44.5228%	44.3650%	44.3650%	47.6537%	
(4) Default Service-Related Recovery	(\$3,512)	(\$4,381)	(\$10,322)	(\$12,367)	(\$14,669)	(\$12,628)	(\$21,135)	(\$6,767)	(\$2,415)	(\$11,686)	(\$12,305)	(\$8,351)	(\$120,538)
<u>Rate G-2</u>													
(1) Amount of Recovery for Default Service Accounts													
(2) Month for Rate Application	July	(\$2,557)	(\$180)	\$1,151	(\$8,931)	(\$3,492)	(\$2,456)	(\$4,013)	(\$6,341)	(\$8,325)	\$2,378	(\$2,925)	(\$36,501)
(3) Default Service Rate as a % of Total Rate	59.1370%	57.4529%	57.4529%	57.4529%	57.4529%	57.0757%	56.8741%	57.1377%	57.4389%	56.5257%	55.6746%	58.0595%	
(4) Default Service-Related Recovery	(\$1,512)	(\$103)	\$661	(\$5,131)	(\$466)	(\$1,993)	(\$1,397)	(\$2,293)	(\$3,642)	(\$4,706)	\$1,324	(\$1,698)	(\$20,956)
<u>Rate G-3</u>													
(1) Amount of Recovery for Default Service Accounts													
(2) Month for Rate Application	July	\$0	\$0	(\$142)	(\$4,115)	(\$7,240)	(\$10,354)	(\$24,935)	(\$5,787)	(\$12,065)	\$0	\$0	(\$67,114)
(3) Default Service Rate as a % of Total Rate	65.9756%	64.4036%	64.4036%	64.4036%	64.4036%	64.0495%	63.8600%	63.8860%	63.9544%	62.8796%	62.0694%	64.3307%	
(4) Default Service-Related Recovery	\$0	\$0	(\$91)	(\$2,650)	(\$1,595)	(\$4,637)	(\$6,612)	(\$15,930)	(\$3,701)	(\$7,587)	\$0	\$0	(\$42,803)
<u>Rate S</u>													
(1) Amount of Recovery for Default Service Accounts													
(2) Month for Rate Application	July	\$0	(\$427)	\$66	(\$471)	(\$973)	(\$492)	(\$399)	\$0	(\$3,265)	(\$32)	(\$21)	(\$5,979)
(3) Default Service Rate as a % of Total Rate	33.4441%	32.8250%	32.8250%	32.8250%	32.8250%	31.1496%	29.3886%	27.5681%	27.6395%	27.7113%	27.7210%	30.4818%	
(4) Default Service-Related Recovery	\$0	(\$140)	\$22	(\$154)	\$11	(\$303)	(\$144)	(\$110)	\$0	(\$905)	(\$9)	(\$6)	(\$1,739)
Amount of Recovery for Default Service Accounts	(\$63,904)	(\$107,309)	(\$129,841)	(\$190,091)	(\$160,215)	(\$175,599)	(\$177,776)	(\$159,397)	(\$147,279)	(\$178,414)	(\$163,603)	(\$144,557)	(\$1,797,986)
Total Default Service-Related Recovery	(\$35,304)	(\$58,175)	(\$70,135)	(\$103,439)	(\$86,692)	(\$92,937)	(\$90,908)	(\$82,235)	(\$74,107)	(\$88,429)	(\$79,383)	(\$74,654)	(\$936,398)

2003

Month of Recovery		January	February	March	April	May	June	July	August	September	October	November	December	Total
Rate R-1														
(1)	Amount of Recovery for Default Service Accounts													
(2)	Month for Rate Application													
(3)	Default Service Rate as a % of Total Rate													
(4)	Default Service-Related Recovery													
Rate R-4														
(1)	Amount of Recovery for Default Service Accounts													
(2)	Month for Rate Application													
(3)	Default Service Rate as a % of Total Rate													
(4)	Default Service-Related Recovery													
Rate G-1														
(1)	Amount of Recovery for Default Service Accounts													
(2)	Month for Rate Application													
(3)	Default Service Rate as a % of Total Rate													
(4)	Default Service-Related Recovery													
Rate G-2														
(1)	Amount of Recovery for Default Service Accounts													
(2)	Month for Rate Application													
(3)	Default Service Rate as a % of Total Rate													
(4)	Default Service-Related Recovery													
Rate G-3														
(1)	Amount of Recovery for Default Service Accounts													
(2)	Month for Rate Application													
(3)	Default Service Rate as a % of Total Rate													
(4)	Default Service-Related Recovery													
Rate S														
(1)	Amount of Recovery for Default Service Accounts													
(2)	Month for Rate Application													
(3)	Default Service Rate as a % of Total Rate													
(4)	Default Service-Related Recovery													
Amount of Recovery for Default Service Accounts														
Total Default Service-Related Recovery														

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Burns

Exhibit TMB-7

Calculation of Average Default Service Rate Allocator
for Mass. Electric

Massachusetts Electric Company
Rate Class Average Rates-Rolling Quarterly Average Rates
January 2002 - November 2003

2002

2003

Rate R-1

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>
Total Retail Delivery	5.167	5.167	5.167	5.167	5.167	5.167	5.167	5.167	5.167	5.167	5.167	5.167	5.242	5.242	5.242	5.242	5.242	5.242	5.242	5.242	5.242	5.242	5.242
Default Service	6.917	6.917	6.917	6.917	6.203	6.203	6.203	6.203	6.203	6.203	6.203	5.135	5.135	5.135	5.135	5.135	5.135	7.365	7.365	7.365	7.365	7.365	5.242
Total Average Rate	12.084	12.084	12.084	12.084	11.370	11.370	11.370	11.370	11.370	11.370	10.302	10.302	10.377	10.377	10.377	10.377	10.377	12.607	12.607	12.607	12.607	12.607	10.944
Quarterly Average																							
Default Service Rate				6.917	6.917	6.679	6.441	6.203	6.203	6.203	6.203	5.847	5.491	5.135	5.135	5.135	5.135	5.693	6.250	6.808	7.365	7.365	7.365
Quarterly Average																							
Total Average Rate				12.084	12.084	11.846	11.608	11.370	11.370	11.370	11.370	11.014	10.658	10.327	10.352	10.377	10.377	10.935	11.492	12.050	12.607	12.607	12.607
Default Service as a																							
Percent of Total				57.2403%	57.2403%	56.3812%	55.4869%	54.5551%	54.5551%	54.5551%	54.5551%	53.0863%	51.5193%	49.7233%	49.6032%	49.4837%	49.4837%	52.0593%	54.3850%	56.4954%	58.4192%	58.4192%	58.4192%

Rate R-4

Total Retail Delivery	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.224	4.224	4.224	4.224	4.224	4.224	4.224	4.224	4.224	4.224	4.224
Default Service	6.917	6.917	6.917	6.917	6.203	6.203	6.203	6.203	6.203	6.203	5.135	5.135	5.135	5.135	5.135	5.135	5.135	7.365	7.365	7.365	7.365	7.365	5.702
Total Average Rate	11.405	11.405	11.405	11.405	10.691	10.691	10.691	10.691	10.691	10.691	9.623	9.623	9.359	9.359	9.359	9.359	11.589	11.589	11.589	11.589	11.589	11.589	9.926
Quarterly Average																							
Default Service Rate				6.917	6.917	6.679	6.441	6.203	6.203	6.203	6.203	5.847	5.491	5.135	5.135	5.135	5.135	5.693	6.250	6.808	7.365	7.365	7.365
Quarterly Average																							
Total Average Rate				11.405	11.405	11.167	10.929	10.691	10.691	10.691	10.691	10.335	9.979	9.535	9.447	9.359	9.359	9.917	10.474	11.032	11.589	11.589	11.589
Default Service as a																							
Percent of Total				60.6479%	60.6479%	59.8092%	58.9340%	58.0198%	58.0198%	58.0198%	58.0198%	56.5738%	55.0246%	53.8533%	54.3549%	54.8660%	54.8660%	57.4033%	59.6706%	61.7087%	63.5507%	63.5507%	63.5507%

Rate G-1

Total Retail Delivery	6.211	6.211	6.211	6.211	6.211	6.211	6.211	6.211	6.211	6.211	6.211	6.211	6.332	6.332	6.332	6.332	6.332	6.332	6.332	6.332	6.332	6.332	6.332
Default Service	7.045	7.045	7.045	7.045	6.493	6.493	6.493	6.493	6.493	6.493	5.049	5.049	5.049	5.049	5.049	5.049	5.049	7.909	7.909	7.909	7.909	7.909	5.679
Total Average Rate	13.256	13.256	13.256	13.256	12.704	12.704	12.704	12.704	12.704	12.704	11.260	11.260	11.381	11.381	11.381	11.381	14.241	14.241	14.241	14.241	14.241	14.241	12.011
Quarterly Average																							
Default Service Rate				7.045	7.045	6.861	6.677	6.493	6.493	6.493	6.012	5.530	5.049	5.049	5.049	5.049	5.049	5.764	6.479	7.194	7.909	7.909	7.909
Quarterly Average																							
Total Average Rate				13.256	13.256	13.072	12.888	12.704	12.704	12.704	12.222	11.741	11.300	11.340	11.381	11.381	11.381	12.096	12.811	13.526	14.241	14.241	14.241
Default Service as a																							
Percent of Total				53.1474%	53.1474%	52.4879%	51.8095%	51.1115%	51.1115%	51.1115%	49.1862%	47.1030%	44.6817%	44.5228%	44.3650%	44.3650%	44.3650%	47.6537%	50.5753%	53.1881%	55.5384%	55.5384%	55.5384%

Source: Accumulation of approved rates and average distribution revenue requirement per kWh

Massachusetts Electric Company
Rate Class Average Rates-Rolling Quarterly Average Rates
January 2002 - November 2003

2002

2003

Rate G-2

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>
Total Retail Delivery	3.858	3.858	3.858	3.858	3.858	3.858	3.858	3.858	3.858	3.858	3.858	3.858	3.978	3.978	3.978	3.978	3.978	3.978	3.978	3.978	3.978	3.978	3.978
Default Service	7.535	7.202	6.496	6.330	5.209	5.209	5.209	5.209	5.209	5.083	5.083	5.083	5.534	5.325	4.656	4.469	7.575	7.908	8.810	8.497	6.902	6.540	5.380
Total Average Rate	11.393	11.060	10.354	10.188	9.067	9.067	9.067	9.067	9.067	8.941	8.941	8.941	9.512	9.303	8.634	8.447	11.553	11.886	12.788	12.475	10.879	10.517	9.358
Quarterly Average																							
Default Service Rate				7.078	6.676	6.012	5.583	5.209	5.209	5.209	5.129	5.129	5.087	5.196	5.314	5.172	4.996	5.506	6.152	7.191	8.198	8.029	7.687
Quarterly Average																							
Total Average Rate				10.935	10.534	9.869	9.440	9.067	9.067	9.067	9.067	8.987	8.945	9.093	9.252	9.149	8.974	9.484	10.130	11.168	12.175	12.007	11.665
Default Service as a																							
Percent of Total				64.7235%	63.3784%	60.9132%	59.1370%	57.4529%	57.4529%	57.4529%	57.0757%	56.8741%	57.1377%	57.4389%	56.5257%	55.6746%	58.0595%	60.7333%	64.3847%	67.3307%	66.8726%	65.9011%	

Rate G-3

Total Retail Delivery	2.879	2.879	2.879	2.879	2.879	2.879	2.879	2.879	2.879	2.879	2.879	2.879	3.053	3.053	3.053	3.053	3.053	3.053	3.053	3.053	3.053	3.053	3.053
Default Service	7.535	7.202	6.496	6.330	5.209	5.209	5.209	5.209	5.209	5.083	5.083	5.083	5.534	5.325	4.656	4.469	7.575	7.908	8.810	8.497	6.902	6.540	5.380
Total Average Rate	10.414	10.081	9.375	9.209	8.088	8.088	8.088	8.088	8.088	8.088	7.962	7.962	8.587	8.378	7.709	7.522	10.628	10.961	11.863	11.550	9.955	9.593	8.433
Quarterly Average																							
Default Service Rate				7.078	6.676	6.012	5.583	5.209	5.209	5.209	5.129	5.129	5.087	5.196	5.314	5.172	4.996	5.506	6.152	7.191	8.198	8.029	7.687
Quarterly Average																							
Total Average Rate				9.957	9.555	8.891	8.462	8.088	8.088	8.088	8.008	8.008	7.966	8.133	8.309	8.225	8.049	8.559	9.205	10.244	11.251	11.082	10.740
Default Service as a																							
Percent of Total				71.0843%	69.8688%	67.6173%	65.9756%	64.4036%	64.4036%	64.4036%	64.0495%	63.8600%	63.8860%	63.9544%	62.8796%	62.0694%	64.3307%	66.8330%	70.1956%	72.8635%	72.4512%	71.5738%	

Rate S

Total Retail Delivery	13.288	13.288	13.288	13.288	13.288	13.288	13.288	13.288	13.288	13.288	13.288	13.288	13.222	13.146	13.146	13.146	13.146	13.146	13.146	13.146	13.146	13.146	13.146
Default Service	7.045	7.045	7.045	7.045	6.493	6.493	6.493	6.493	6.493	6.493	6.493	6.493	5.049	5.049	5.049	5.049	7.909	7.909	7.909	7.909	7.909	7.909	5.679
Total Average Rate	20.333	20.333	20.333	20.333	19.781	19.781	19.781	19.781	19.781	19.781	18.337	18.337	18.271	18.195	18.195	18.195	21.055	21.055	21.055	21.055	21.055	21.055	18.825
Quarterly Average																							
Default Service Rate				7.045	7.045	6.861	6.677	6.493	6.493	6.493	6.012	6.012	5.530	5.049	5.049	5.049	5.764	6.479	7.194	7.909	7.909	7.909	7.909
Quarterly Average																							
Total Average Rate				20.333	20.333	20.149	19.965	19.781	19.781	19.781	19.781	19.299	18.818	18.315	18.267	18.220	18.214	18.910	19.625	20.340	21.055	21.055	21.055
Default Service as a																							
Percent of Total				34.6487%	34.6487%	34.0519%	33.4441%	32.8250%	32.8250%	32.8250%	32.8250%	29.3886%	27.5681%	27.6395%	27.7113%	27.7210%	30.4818%	33.0146%	35.3693%	37.5642%	37.5642%	37.5642%	37.5642%

Source: Accumulation of approved rates and average distribution revenue requirement per kWh

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Burns

Exhibit TMB-8

Calculation of Average Default Service Rate Allocator
for Nantucket Electric

Nantucket Electric Company
Rate Class Average Rates-Rolling Quarterly Average Rates
January 2002 - November 2003

2002

2003

Rate R-1

	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November
Total Retail Delivery	6.680	6.680	6.680	6.680	6.680	7.629	7.629	7.629	7.629	6.680	6.680	6.680	6.786	6.786	6.786	6.786	6.786	7.741	7.741	7.741	7.741	7.741	6.786
Default Service	6.917	6.917	6.917	6.917	6.203	6.203	6.203	6.203	6.203	5.135	5.135	5.135	5.135	5.135	5.135	5.135	5.135	7.365	7.365	7.365	7.365	7.365	5.702
Total Average Rate	13.597	13.597	13.597	13.597	12.883	13.832	13.832	13.832	13.832	12.883	12.883	12.883	11.815	11.921	11.921	11.921	11.921	15.106	15.106	15.106	15.106	14.151	12.488
Quarterly Average																							
Default Service Rate				6.917	6.917	6.679	6.441	6.203	6.203	6.203	6.203	5.847	5.491	5.135	5.135	5.135	5.135	5.693	6.250	6.808	7.365	7.365	7.365
Quarterly Average																							
Total Average Rate				13.597	13.597	13.359	13.437	13.516	13.832	13.832	13.516	12.843	12.171	11.850	11.886	11.921	11.921	12.479	13.275	14.071	14.867	15.106	14.867
Default Service as a																							
Percent of Total				50.8710%	50.8710%	49.9957%	47.9331%	45.8944%	44.8448%	44.8448%	45.8944%	45.5250%	45.1149%	43.3316%	43.2028%	43.0747%	43.0747%	45.6179%	47.0813%	48.3791%	49.5379%	48.7550%	49.5379%

Rate R-4

Total Retail Delivery	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.488	4.224	4.224	4.224	4.224	4.224	4.224	4.224	4.224	4.224	4.224	4.224
Default Service	6.917	6.917	6.917	6.917	6.203	6.203	6.203	6.203	6.203	5.135	5.135	5.135	5.135	5.135	5.135	5.135	5.135	7.365	7.365	7.365	7.365	7.365	5.702
Total Average Rate	11.405	11.405	11.405	11.405	10.691	10.691	10.691	10.691	10.691	9.623	9.623	9.623	9.359	9.359	9.359	9.359	11.589	11.589	11.589	11.589	11.589	11.589	9.926
Quarterly Average																							
Default Service Rate				6.917	6.917	6.679	6.441	6.203	6.203	6.203	6.203	5.847	5.491	5.135	5.135	5.135	5.135	5.693	6.250	6.808	7.365	7.365	7.365
Quarterly Average																							
Total Average Rate				11.405	11.405	11.167	10.929	10.691	10.691	10.691	10.691	10.335	9.979	9.535	9.447	9.359	9.359	9.917	10.474	11.032	11.589	11.589	11.589
Default Service as a																							
Percent of Total				60.6479%	60.6479%	59.8092%	58.9340%	58.0198%	58.0198%	58.0198%	58.0198%	56.5738%	55.0246%	53.8533%	54.3549%	54.8660%	54.8660%	57.4033%	59.6706%	61.7087%	63.5507%	63.5507%	63.5507%

Rate G-1

Total Retail Delivery	8.617	8.617	8.617	8.617	8.617	8.810	8.810	8.810	8.810	8.617	8.617	8.617	8.778	8.778	8.778	8.778	8.778	8.975	8.975	8.975	8.975	8.975	8.778
Default Service	7.045	7.045	7.045	7.045	6.493	6.493	6.493	6.493	6.493	5.049	5.049	5.049	5.049	5.049	5.049	5.049	5.049	7.909	7.909	7.909	7.909	7.909	5.679
Total Average Rate	15.662	15.662	15.662	15.662	15.110	15.303	15.303	15.303	15.303	13.666	13.666	13.666	13.827	13.827	13.827	13.827	13.827	16.884	16.884	16.884	16.884	16.884	14.457
Quarterly Average																							
Default Service Rate				7.045	7.045	6.861	6.677	6.493	6.493	6.493	6.493	6.012	5.530	5.049	5.049	5.049	5.049	5.764	6.479	7.194	7.909	7.909	7.909
Quarterly Average																							
Total Average Rate				15.662	15.662	15.478	15.358	15.238	15.303	15.303	15.238	14.693	14.147	13.719	13.773	13.827	13.827	14.542	15.306	16.070	16.834	16.884	16.834
Default Service as a																							
Percent of Total				44.9827%	44.9827%	44.286%	43.4759%	42.6099%	42.4307%	42.4307%	42.6099%	40.9163%	39.0921%	36.8023%	36.6589%	36.5166%	36.5166%	39.6380%	42.3302%	44.7664%	46.9813%	46.8443%	46.9813%

Source: Accumulation of approved rates and average distribution revenue requirement per kWh

2003

2002

Rate G-2

Rate G-2

Rate G-3

Rate G-3

Rate SRate S

Source: Accumulation of approved rates and average distribution revenue requirement per kWh

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D. T. E. No. 03-88E
Witness: Hager

DIRECT TESTIMONY
OF
MICHAEL J. HAGER

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1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. Michael J. Hager, 55 Bearfoot Road, Northborough, Massachusetts 01532.

5 Q. Please state your position.

6 A. I am the Vice President, Energy Supply – New England for National Grid USA Service
7 Company. I am responsible for, among other things, all power procurement and related
8 activities for the distribution companies of National Grid USA (formerly the New
9 England Electric System) including Massachusetts Electric Company (“Mass. Electric”) and
10 Nantucket Electric Company (“Nantucket”) (together “the Company”). These
11 activities include the procurement of power for Standard Offer Service and Default
12 Service.

14 Q. Will you describe your educational background and training?

15 A. In 1982, I graduated from the University of Hartford with a Bachelor of Science degree
16 in Mechanical Engineering. In 1986, I received a Master of Science degree in
17 Mechanical Engineering from Northeastern University. I am a Licensed Professional
18 Engineer in the Commonwealth of Massachusetts.

20 Q. What is your professional background?

21 A. From 1982 to 1992, I was employed by New England Power Service Company in various
22 engineering positions. In these positions, I provided support to New England Power

1 Company's ("NEP") thermal and hydroelectric generating plants with overall
2 responsibility for the management and control of studies and projects from initiation to
3 completion.

4
5 From 1992 to 1997, I was employed by NEP where I conducted wholesale and retail
6 power marketing activities involving the sale and purchase of generation resources to and
7 from investor-owned utilities, municipalities, independent power producers, government
8 agencies, brokers, marketers, and end-use retail customers.

9
10 In June 1997, I was promoted to the position of Standard Offer Portfolio Manager for
11 New England Power Service Company (now National Grid USA Service Company). In
12 November 2000, my title was changed to Manager, Distribution Energy Services to more
13 fully reflect the scope of work performed by my department.

14
15 In April 2002, I was promoted to the position of Director, Energy Supply – New England
16 and took on the added responsibilities of completing the divestiture of NEP's residual
17 generation related interests. In December 2002, I was promoted to the position of Vice
18 President, Energy Supply – New England.

19 Q. Have you previously testified before the Massachusetts Department of
20 Telecommunications and Energy (the "Department")?

21 A. Yes.

1 **II. Purpose of Testimony**

2 Q. What is the purpose of your testimony?

3 A. Pursuant to the Department's order opening this investigation, I explain the costs relating
4 to Default Service that the Department may consider for recovery through Default
5 Service rates. Wholesale-related costs include the cost of conducting and administering
6 Default Service procurements (including requests for bids, contract negotiation and
7 execution, and contract administration). Direct retail-related costs include (i) the costs of
8 creating the environmental disclosure label, (ii) the costs associated with NEPOOL's
9 Generation Information System ("GIS") attributable to Default Service load, and (iii)
10 labor-related costs associated with complying with the requirements of the Massachusetts
11 Renewable Portfolio Standards ("RPS").

12
13 **III. Estimate of Power Supply-Related Costs**

14 Q. Does the Company separately track the costs it incurs related to its provision of Default
15 Service?

16 A. In some cases, yes. The Company attempts to track costs that are directly and solely
17 related to the provision of Default Service. These costs include conducting solicitations
18 and paying monthly supplier invoices. However, this tracking system is relatively new
19 and does not provide for 12 months worth of historic cost data as requested by the
20 Department in its order in this docket. Additionally, the Company also incurs general
21 power supply-related costs that are allocated to it using an internal cost allocation

1 mechanism.¹ These costs are for activities that are general in nature and are not
2 specifically related to the provision of Default Service. These activities include
3 participation in such things as NEPOOL forums involving market rule changes,
4 NEPOOL Generation Information System expenditures, payment of ISO invoices,
5 administration of purchases from qualifying facilities and participation in regulatory
6 forums and proceedings that are not specifically related to Default Service.

7
8 Q. How have you estimated the costs that the Company has incurred that can be specifically
9 identified with Default Service-related activities?

10 A. I have estimated the costs that the Company will incur for activities that can be
11 specifically related to the provision of Default Service based upon the typical length of
12 time it takes to perform these activities and the individuals involved in performing them.
13 These activities include the procurement and administration of Default Service, the
14 provision of environmental disclosure labels, and compliance with the Massachusetts
15 RPS. These costs are explained in more detail in the following sections. It is important
16 to note that the costs quantified in my testimony represents a reasonable estimate of the
17 level of costs the Company incurred in performing these specific activities for the most
18 recent 12-month period of calendar year 2003.

19

¹ This cost allocation is among a group of cost allocations approved by the Securities and Exchange Commission ("SEC") for The bases and formulae for deriving these cost allocations are approved by the SEC, and their values are updated annually.

1 **IV. Wholesale-Related Costs**

2 Q. What activities are associated with the Company's procurement and administration of
3 Default Service?

4 A. The activities that are associated with the Company's procurement and administration of
5 Default Service include:

- 6 • Preparation of documents and supporting data to be included in each
7 Request for Proposal ("RFP"). This includes (i) reviewing previous RFPs
8 issued by the Company and other distribution companies, and adopting
9 current/best practices into the upcoming RFP, (ii) updating hourly load
10 data and customer enrollment data, and (iii) reviewing upcoming changes
11 to wholesale market rules to make sure that these are properly accounted
12 for in the upcoming procurement;
- 13 • Issuance of the RFP. This includes (i) issuing the RFP to interested
14 bidders, (ii) issuing public notice(s) of the issuance of the RFP, and (iii)
15 responding to questions asked by potential bidders;
- 16 • Review of bidder information and proposed contract modifications;
- 17 • Analysis of indicative bids. The Company reviews indicative bids to
18 determine if they conform to the RFP requirements and to obtain an
19 indication of the current market price for Default Service. Indicative bids
20 provide an indication of the potential participating bidders, which enables
21 the Company to address unresolved commercial/contractual issues which

would prevent these bidders from being awarded the supply obligation. In addition, indicative bids form the basis of a recommendation for management approval to select a winning bid.

- Analysis of final, binding bids and selection of winning bids;
- Negotiation and execution of power purchase agreements with the winning supplier(s);
- Preparation and submission of rate filing with the Department;
- Implementation of ISO market system registration; and
- Receipt, review and payment of monthly invoices.

Q. How often does the Company conduct solicitations for its Default Service requirements?

A. In accordance with the Department's requirements in D.T.E. 99-60C and 02-40B, the Company procures its Default Service requirements quarterly, resulting in four RFPs per year.

Q. What are the annual costs to the Company associated with the procurement and administration of Default Service?

A. As shown in Exhibit MJH-1, the Company estimates that it costs approximately \$67,000 per year to procure and administer Default Service.

1 **V. Environmental Disclosure Label**

2 Q. Does the Company provide environmental disclosure labels to its Default Service
3 customers?

4 A. Yes. Pursuant 220 CMR 11.06, the Company is required to provide an environmental
5 disclosure label to all of its Default Service customers. The Company is required to
6 produce and distribute the label each calendar quarter.

7
8 Q. What activities are associated with the Company's provision of environmental disclosure
9 labels to Default Service customers?

10 A. The activities that are associated with the Company's provision of environmental
11 disclosure labels to Default Service customers include:

- 12 • Requesting and receiving generation supply data from wholesale suppliers
13 of Default Service;
- 14 • Updating the database of information provided by wholesale suppliers;
- 15 • Calculating data for inclusion in the current quarterly disclosure label;
- 16 • Preparing proofs of the disclosure label for printing and checking for
17 accuracy;
- 18 • Scheduling and coordinating insertion in bills;
- 19 • Posting the label to the website;
- 20 • Printing the label.

1 Q. What are the annual costs to the Company associated with producing and distributing the
2 environmental disclosure label to its Default Service customers?

3 A. As shown in Exhibit MJH-2, the Company estimates that it costs approximately \$11,000
4 per year to produce and distribute the environmental disclosure label to Default Service
5 customers.
6

7 **VI. NEPOOL Generation Information System**

8 Q. What is the NEPOOL Generation Information System (“NEPOOL GIS”)?

9 A. The NEPOOL GIS is an accounting system that was designed to track various
10 characteristics or “attributes” of electric generation within NEPOOL. Tracking is
11 accomplished through the creation and trading of certificates. All load and generation
12 within NEPOOL is accounted for in the NEPOOL GIS.
13

14 Q. Is the Company’s Default Service load assessed any costs of the NEPOOL GIS?

15 A. Yes. The load associated with the Company’s provision of Default Service is subject to
16 NEPOOL GIS cost allocation through (i) the requirement to provide label/disclosure
17 information to customers pursuant to 220 CMR 11.06 and (ii) the requirement to comply
18 with the Massachusetts Renewable Portfolio Standard beginning in January 2003. Under
19 the NEPOOL cost allocation rules, ISO-NE assessed these costs to the Company prior to
20 the implementation of Standard Market Design (“SMD”) on March 1, 2003. Since the
21 implementation of SMD, the costs have been assessed to both the Company and its

1 wholesale suppliers depending on how the Company's contracts were implemented
2 within the NEPOOL market settlement system.
3

4 Q. What are the annual costs to the Company associated with the NEPOOL GIS?

5 A. Since the NEPOOL GIS costs have been allocated to the Company's Default Service
6 suppliers since March 1, 2003, the Company is not anticipating, at this time, that it will
7 be assessed any NEPOOL GIS costs related to its future Default Service loads.
8

9 **VII. Massachusetts Renewable Portfolio Standards**

10 Q. What is the Massachusetts RPS?

11 A. In order to foster the development of new renewable energy sources, Mass. Gen. Laws c.
12 25A, § 11F requires the implementation of the RPS. Accordingly, on April 26, 2002, the
13 Division of Energy Resources ("DOER") promulgated rules to implement the RPS
14 requirements. 225 CMR 14.00 et seq. These rules require that all retail electricity
15 suppliers source a minimum portion of their resources from certain new renewable
16 energy resources, beginning in 2003.
17

18 Q. What activities are associated with the Company's compliance with the Massachusetts
19 RPS?

20 A. The activities that are associated with the Company's compliance with the Massachusetts
21 RPS include:

- 22 • Determining RPS obligations and comparing to contracted amounts;

- 1 • Conducting and managing transactions within the NEPOOL GIS;
- 2 • Receiving and processing invoices for purchased certificates;
- 3 • Interacting with sellers/brokers, evaluating market opportunities and
- 4 contracting for needed requirements.

5

6 Q. In addition to the above activities, does the Company conduct competitive procurements

7 to obtain renewable energy certificates to meet its RPS obligations?

8 A. Yes. Pursuant to the Company's Renewable Energy Portfolio Compliance Plan

9 ("Compliance Plan") filed with the Department in Docket Nos. D.T.E. 99-60 and D.T.E.

10 00-67 on November 1, 2002, the Company periodically issues a RFP to meet its RPS

11 obligations. The costs incurred in conducting these solicitations are not included in the

12 Default Service costs identified here, however. Under the terms of the Compliance Plan,

13 the Company conducts the solicitations to meet its RPS obligations for Standard Offer,

14 and only allocates certificates procured pursuant to the solicitation to Default Service

15 obligations if it has been able to procure more certificates than needed for its Standard

16 Offer obligations.

17

18 Q. What are the annual costs to the Company associated with complying with the

19 Massachusetts RPS?

20 A. As shown in Exhibit MJH-3, the Company estimates that it incurs approximately \$7,000

21 per year to comply with the Massachusetts RPS. This includes the labor costs associated

1 with monitoring RPS compliance relating to the Company's Default Service load within
2 the NEPOOL GIS, processing invoices for the purchase of renewable energy certificates
3 ("RECs"), and interacting with brokers/sellers in evaluating REC market opportunities
4 and purchasing any needed REC requirements. This cost excludes the cost of any
5 renewable energy certificates or alternative compliance payments made by the Company,
6 as the Department has approved recovery of these costs through the Default Service rates
7 and Default Service reconciliation process. (See D.T.E. 03-122).

8
9 **VIII. Summary**

10 Q. Can you please summarize the costs the Company expects to incur related to the above
11 Default Service related activities?

12 A. The Company expects to incur approximately \$86,000 per year for the wholesale-related
13 and direct retail-related Default Service costs described above.

14
15 Q. Does this conclude your testimony?

16 A. Yes. It does.
17

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Hager

Exhibit MJH-1

Estimate of Wholesale Default Service Procurement
And Ongoing Administration Costs

**Massachusetts Electric Company
Nantucket Electric Company
Estimate of Costs Associated with
Wholesale Procurement of Default Service**

<u>Task</u>	<u>Conducted by</u>	(A) <u>Hours</u>	(B) <u>Direct Labor</u> <u>Rate (\$/hr)</u>	(C) <u>Indirect /</u> <u>Overhead</u> <u>Rate</u>	(D) <u>Total \$</u>
Preparation of documents and supporting data to be included in each Request for Proposal	Energy Supply: Analyst	24.0	\$40.00	80.5%	\$1,733
	Energy Supply: Management	4.0	\$60.00	80.5%	\$433
	Legal: Attorney	<u>4.0</u>	\$60.00	93.4%	<u>\$464</u>
	Total for Task:	32.0			\$2,630
	Annual Frequency for Task:	4			
Annual Total for Task:		128.0			\$10,520
Issuance of the RFP	Energy Supply: Analyst	<u>4.0</u>	\$40.00	80.5%	<u>\$289</u>
	Total for Task:	4.0			\$289
	Annual Frequency for Task:	4			
	Annual Total for Task:	16.0			\$1,155
Review of bidder information and proposed contract modifications	Energy Supply: Analyst	40.0	\$40.00	80.5%	\$2,888
	Energy Supply: Management	8.0	\$60.00	80.5%	\$866
	Legal: Attorney	<u>24.0</u>	\$60.00	93.4%	<u>\$2,784</u>
	Total for Task:	72.0			\$6,539
	Annual Frequency for Task:	4			
Annual Total for Task:		288.0			\$26,155
Analysis of indicative bids	Energy Supply: Analyst	8.0	\$40.00	80.5%	\$578
	Energy Supply: Management	4.0	\$60.00	80.5%	\$433
	Total for Task:	12.0			\$1,011
	Annual Frequency for Task:	4			
	Annual Total for Task:	48.0			\$4,043
Analysis of final, binding bids and selection of winning bids	Energy Supply: Analyst	8.0	\$40.00	80.5%	\$578
	Energy Supply: Management	<u>4.0</u>	\$60.00	80.5%	<u>\$433</u>
	Total for Task:	12.0			\$1,011
	Annual Frequency for Task:	4			
	Annual Total for Task:	48.0			\$4,043

**Massachusetts Electric Company
Nantucket Electric Company
Estimate of Costs Associated with
Wholesale Procurement of Default Service**

<u>Task</u>	<u>Conducted by</u>	(A) <u>Hours</u>	(B) <u>Direct Labor</u> <u>Rate (\$/hr)</u>	(C) <u>Indirect /</u> <u>Overhead</u> <u>Rate</u>	(D) <u>Total \$</u>
Negotiation and execution of power purchase agreements	Energy Supply: Analyst	16.0	\$40.00	80.5%	\$1,155
	Energy Supply: Management	4.0	\$60.00	80.5%	\$433
	Total for Task:	20.0			\$1,588
	Annual Frequency for Task:	4			
	Annual Total for Task:	80.0			\$6,354
Preparation and submission of rate filing	Energy Supply: Analyst	8.0	\$40.00	80.5%	\$578
	Legal: Attorney	3.0	\$60.00	93.4%	\$348
	Distribution Rates: Management	2.0	\$60.00	80.5%	\$217
	Total for Task:	13.0			\$1,142
	Annual Frequency for Task:	4			
	Annual Total for Task:	52.0			\$4,569
Implementation of ISO market system registration	Energy Supply: Analyst	4.0	\$40.00	80.5%	\$289
	Total for Task:	4.0			\$289
	Annual Frequency for Task:	4			
	Annual Total for Task:	16.0			\$1,155
	Annual Subtotal for Solicitation Tasks:	676.0			\$57,995
Receipt, review and payment of monthly invoices	Energy Supply: Analyst	4.0	\$40.00	80.5%	\$289
	Accounting: Analyst	6.0	\$40.00	100.2%	\$480
	Total for Task:	10.0			\$769
	Annual Frequency for Task:	12			
	Annual Total for Task:	120.0			\$9,231
Annual Total for all Tasks:		796.0			\$67,226

Notes:

- (A) Based on interviews with departments/personnel involved in each task which relied on experience from prior RFPs.
(C) Source: Average departmental overhead accrual rates for year ended December 31, 2003

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Hager

Exhibit MJH-2

Estimate of Default Service Environmental Disclosure Label Costs

**Massachusetts Electric Company
Nantucket Electric Company
Estimate of Costs Associated with
Environmental Disclosure Labels**

<u>Task</u>	<u>Conducted by</u>	(A)	(B)	(C)	(D)
		<u>Hours</u>	<u>Direct Labor</u> <u>Rate (\$/hr)</u>	<u>Indirect /</u> <u>Overhead</u> <u>Rate</u>	<u>Total \$</u>
Request/receive data from suppliers, update database, calculate values for current quarterly label	Energy Supply: Analyst	<u>8.0</u>	\$40.00	80.5%	\$578
	Total for Task:	8.0			
	Annual Frequency for Task:	4			
	Annual Total for Task:	32.0			\$2,310
Prepare proofs for printing, check for accuracy, schedule for insertion, post to website	Corporate Communications: Analyst	4.0	\$40.00	92.1%	\$307
	Customer Service: Analyst	<u>4.0</u>	\$40.00	104.6%	\$327
	Total for Task:	8.0			\$635
	Annual Frequency for Task:	4			
	Annual Total for Task:	16.0			\$1,229
Print labels	Third Party Vendor	n/a	n/a	n/a	\$2,000
	Annual Frequency for Task:	4.00			
	Annual Total for Task:	n/a			\$8,000
Annual Total for all Tasks:		48.0			\$11,540

Notes:

- (A) Based on interviews with departments/personnel involved in each task which relied on experience from prior labels.
(C) Source: Average departmental overhead accrual rates for year ended December 31, 2003

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
D.T.E. 03-88E
Witness: Hager

Exhibit MJH-3

Estimate of Default Service RPS Compliance Costs

**Massachusetts Electric Company
Nantucket Electric Company
Estimate of Costs Associated with
Massachusetts Renewable Portfolio Standard**

<u>Task</u>	<u>Conducted by</u>	(A) <u>Hours</u>	(B) <u>Direct Labor</u> <u>Rate (\$/hr)</u>	(C) <u>Indirect /</u> <u>Overhead</u> <u>Rate</u>	(D) <u>Total \$</u>
Determine RPS obligations and compare to contracted amounts; conduct and manage transaction within the NEPOOL GIS	Energy Supply: Analyst	8.0	\$40.00	80.5%	\$578
	Total for Task:	8.0			
	Annual Frequency for Task:	4			
Annual Total for Task:		32.0			\$2,310
Receive and process invoices for purchased certificates	Energy Supply: Analyst	8.0	\$40.00	80.5%	\$578
	Annual Frequency for Task:	4			
Annual Total for Task:		32.0			\$2,310
Interact with sellers/brokers; evaluate market opportunities; contract for needed requirements	Energy Supply: Analyst	8.0	\$40.00	80.5%	\$578
	Total for Task:	8.0			
	Annual Frequency for Task:	4			
Annual Total for Task:		32.0			\$2,310
Annual Total for all Tasks:		96.0			\$6,931

Notes:

- (A) Based on interviews with departments/personnel involved in each task which relied on experience from prior labels.
(C) Source: Average departmental overhead accrual rates for year ended December 31, 2003